

TAX YEAR
2018
BUSINESS
MODERNIZED
E-FILE

STATE OF HAWAII
DEPARTMENT OF TAXATION
SOFTWARE PROVIDERS
AND
TRANSMITTERS
HANDBOOK



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SECTION 1: INTRODUCTION

The State of Hawaii, Department of Taxation (DOTAX), in conjunction with the Internal Revenue Service (IRS), accepts state Corporate Income Tax returns and corresponding forms and schedules using the Modernized E-File (MeF) system. DOTAX supports "linked" and "unlinked" submissions.

The current schema package approved for production is: **HIBusiness2018V1.0**.

To participate in the Hawaii MeF Program, software developers must adhere to the guidance in this handbook. All IRS requirements must also be met to participate in the Hawaii MeF program. However, this handbook does not represent the requirements and procedures issued by the IRS. For more information and technical guidance refer to the IRS MeF User Guides and Publications at www.irs.gov.

For more details regarding the preparation of Hawaii business income tax returns, including forms, schedules and instructions refer to our DOTAX website at tax.hawaii.gov or FTA State Exchange System (SES).

SECTION 2: CHANGES TO NOTE FOR TAX YEAR 2018

- Hawaii has conformed to certain provisions of the IRC, as amended as of February 9, 2018. (Act 27, SLH 2018)
- The Important Agricultural Lands Qualified Agricultural Cost Tax Credit has been amended to extend the time in which the Department of Agriculture may certify the credit through the 2021 taxable year. (Act 87, SLH 2018)
- Section 235-68, HRS, has been amended by changing the HARPTA withholding rate from 5 percent to 7.25 percent. The change will apply to all real property dispositions that occur on or after September 15, 2018. (Act 122, SLH 2018)
- The Cesspool Upgrade, Conversion, or Connection Income Tax Credit pilot program has been amended by repealing the provision that restricts the Department of Health from certifying more than two residential large capacity cesspools as qualified cesspools. (Act 133, SLH 2018)
- The Renewable Fuels Production Tax Credit has been expanded by lowering the production threshold to two billion five-hundred million British thermal units of renewable fuels per calendar year and expands the types of renewable fuel eligible for the credit to include logs, wood chips, wood pellets, or wood bark. Applies to taxable years after December 31, 2017. (Act 143, SLH 2018)
- The Motion Picture, Digital Media, and Film Production Income Tax Credit has been amended for taxable years beginning after December 31, 2018 by: changing the qualifications a production must meet in order to claim the Motion Picture, Digital Media, and Film Production Income Tax Credit; imposing a cap on the amount of tax credit that may be claimed at \$35,000,000 per year; extending the sunset date to January 1, 2026; and requiring that film productions claiming the tax credit must obtain a verification review of qualified production costs by a certified public accountant. (Act 143, SLH 2017)
- The Renewable Fuels Production Tax Credit has been amended by requiring the taxpayer to complete and file an independent, third-party-certified statement with DBEDT for taxable years beginning after December 31, 2017. (Act 142, SLH 2017)



SECTION 3: CONTACT INFORMATION

3.1 TESTING INQUIRES

The contact information provided below is strictly for software developers and transmitters' testing inquiries.

ATS support begins from the ATS open date until January 31st of each year.

Contact the Business MeF Testing Group at tax.bus.mef.test@hawaii.gov

3.2 PRODUCTION INQUIRIES

Transmitters experiencing problems with State acknowledgements and other related production inquiries should contact the Electronic Processing Section.

Production support begins from the MeF Live date until the IRS production shutdown date (November of each year).

Contact the Electronic Processing Section at tax.efile@hawaii.gov
State of Hawaii Department of Taxation
P.O. Box 259
Honolulu, HI 96809-0259
Attn: Electronic Filing Processing Section

3.3 CONTACT HOURS AND HOLIDAYS

Our contact hours are Monday through Friday, 8:00 a.m. to 4:00 p.m. Hawaii Standard Time. Our office will be closed on weekends and on all National and State of Hawaii holidays.

Holidays	2018	2019
New Year's Day		Jan. 1, Tuesday
Dr. Martin Luther King, Jr. Day		Jan. 21, Monday
Presidents' Day		Feb. 18, Monday
Prince Jonah Kuhio Kalaniana'ole Day		Mar. 26, Tuesday
Good Friday		Apr. 19, Friday
Memorial Day		May. 27, Monday
King Kamehameha Day		Jun. 11, Tuesday
Independence Day		Jul. 4, Thursday
Statehood Day	Aug. 17, Friday	Aug. 16, Friday
Labor Day	Sept. 3, Monday	Sep. 2, Monday
General Election Day	Nov. 6, Tuesday	N/A
Veterans' Day	Nov. 12, Monday	Nov. 11, Monday
Thanksgiving	Nov. 22, Thursday	Nov. 28, Thursday
Christmas	Dec. 25, Tuesday	Dec. 25, Wednesday



SECTION 4: ACCEPTANCE AND PARTICIPATION

In order to participate in the Hawaii MeF program, each year software providers and direct transmitters must provide the information requested below. Otherwise, any submitted test returns will be automatically rejected.

4.1 SOFTWARE PROVIDERS

In addition to your submission of the National letter of intent, DOTAX requires the submission of the Hawaii State Letter of Intent (LOI) to participate in its MeF Program (Form EF-8). The Hawaii LOI is available on the DOTAX website at tax.hawaii.gov.

Software providers that do not submit the 2018 Hawaii LOI by **November 9, 2018** ~~October 31, 2018~~, will not be approved for Hawaii ATS for tax year 2018.

Please e-mail DOTAX at tax.efile.test@hawaii.gov and attach a completed Form EF-8 for each supported product / test ETIN; please include your test ETIN in the subject of the e-mail. Upon receipt and approval of your Hawaii LOI submission, DOTAX will grant you access to the Hawaii Business schemas, business rules and test packages posted on Federation of Tax Administrators (FTA) State Exchange System (SES), and inform you when you may begin sending submissions for ATS. Do not transmit any test returns until you receive a confirmation e-mail from DOTAX that testing can begin; otherwise they will be rejected.

Software providers must pass ATS and receive approval by DOTAX before submitting live returns. DOTAX reserves the right to deny a request to participate in Hawaii's MeF program (Form EF-8). Live returns submitted prior to the completion of ATS will be rejected.

4.2 DIRECT TRANSMITTERS

Direct transmitters must use an approved third party software product, please e-mail the following information to tax.efile@hawaii.gov, and include the "Direct Transmitter Info" in the subject of the e-mail. Please do not transmit any returns until you receive a confirmation e-mail from DOTAX that your set-up is completed, otherwise submissions will be rejected.

1. Direct transmitter's company name and address
2. Direct transmitter's contact name
3. Direct transmitter's contact number
4. Direct transmitter's ETIN
5. Approved software product name
6. Approved software ID



SECTION 5: RESPONSIBILITIES

Developers, Transmitters, and Electronic Return Originators (ERO) must abide by the terms in this handbook and maintain a high degree of integrity, compliance, and accuracy to remain in the Hawaii MeF Program.

5.1. INTEGRITY

Responsible for verifying that the DOTAX return has been properly prepared, validated by the IRS, and received by DOTAX. Must ensure that the DOTAX acknowledgements are received.

DOTAX strongly recommends that developers provide the data requested in the authentication header.

5.2. COMPLIANCE

All requirements and specifications in the IRS Modernized e-File (MeF) User Guides, Publications, and the DOTAX MeF Handbook must be met.

Unauthorized access, possession or disclosure of confidential taxpayer information can result in severe Federal and Hawaii criminal and civil penalties in accordance with sections 231, 235, 237, 237D, 487N and 708-839.55, Hawaii Revised Statutes (HRS).

5.3. ACCURACY

Provide a complete and accurate copy of the return to the taxpayer according to the guidelines set by the IRS.

5.4. TIMELINESS OF FILING

Must ensure electronic returns are filed in a timely manner. The date of transmission will be the filing date for accepted DOTAX returns. If the due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day.

- Returns are due on or before the 20th day of the 4th month following the close of the taxable year.
- If you do not have any additional taxes to pay by the due date, you are not required to file a Form N-301 as there is an automatic 6-month extension of time to file when no payment is due. Go to hitax.hawaii.gov to file a Form N-301 with a payment to request a 6-month extension of time to file the return by the regular due date of the corporate return. The extension of time to file is not an extension of time to pay and any extension will be invalidated if the properly estimated tax liability is not paid by the prescribed due date of the return.

5.5 SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

The Hawaii Test Packages for Business MeF are provided in Publication EF-11 (PUB EF-11), which is available on the FTA SES. PUB EF-11 consists of eight (8) test scenarios.

N-30 Test Package

- Four test scenarios are required for software that supports Form N-30 (excluding any forms and schedules not supported by your product).

N-35 Test Package

- Four test scenarios are required for software that supports Form N-35 (excluding any forms and schedules not supported by your product).

5.6 TESTING PERIOD

2018 ATS begins on – IRS ATS open date (*subject to change*)



5.7 PROCEDURES FOR TESTING

The Business MeF Testing Group will notify software providers by e-mail when their testing can begin.

To make a request for ATS verification, e-mail the following to tax.bus.mef.test@hawaii.gov:

1. Your test ETIN (*include in subject line*)
2. Date of submission
3. Number of submissions
4. Submission ID(s) (*must be in plain text format*)

Note: Transmissions with a rejected status cannot be verified for ATS. Ensure that your transmissions have an accepted submission status before sending the e-mail.

Pass/Fail testing

1. DOTAX will verify test scenarios in a timely manner: November through January usually **within 5 to 7 business days of receipt**.
2. ATS must be completed by **January 31, 2019** to participate in the Hawaii MeF Program.
3. An "Accepted" acknowledgement means that your submission has been validated against DOTAX's schemas and business rules, and accepted for processing. However, the submission must still be checked against the test scenarios. DOTAX will inform you by email with the status of the test results.
 - PASS – The test scenario(s) was received and passed the testing process. No further action is required for that test scenario.
 - FAIL – The test scenario(s) was received but failed the testing process. Please make the necessary corrections and resubmit the failed test scenario(s) only.
4. DOTAX reserves the right to require the software providers to re-test their products at DOTAX's discretion.

5.8 INDEPENDENT TESTING

After passing ATS with DOTAX, software providers may conduct independent testing using their own data.

Please use the same taxpayer entity information (i.e. names and FEIN numbers) provided in the test scenarios.

The independent test submissions are not verified by the Business MeF Testing Group. Any inquiries regarding independent test results should be sent via e-mail. Please include your test ETIN in the subject of the e-mail.

SECTION 6: ACKNOWLEDGEMENT SYSTEM

1. All data transmitted through the MeF system must be in accordance with the DOTAX schemas and business rules documents, which are released via e-mail.
2. Upon receiving the submission, DOTAX will generate a receipt to the IRS. After processing the submission, DOTAX will send an acknowledgement of acceptance or rejection within two business days.
3. For linked submissions DOTAX will generate a separate acknowledgment from the IRS acknowledgment. Receiving an IRS acknowledgment does not mean that DOTAX acknowledges receipt of the state income tax return.
4. Allow at least three business days from the received date before contacting the Electronic Processing Section for inquiries regarding the status of the submission. Please provide the following information:
 - a. Corporation Name
 - b. Corporation FEIN
 - c. Transmission Date
 - d. Submission ID



5. Once MeF is live, software providers must be available to correct any software errors that may arise, and work with DOTAX to follow up on any processing issues. Any new release of software must be done in a timely manner, with proper notification to all customers.
6. DOTAX reserves the right to reject submissions and to require retesting of product(s) at DOTAX's discretion.

SECTION 7: GENERAL INFORMATION

7.1 ME F SUPPORTED DOCUMENTS

7.1.1. CORPORATION INCOME TAX

- Forms

XML Doc. Name	Description
FormN30	Form N-30: Corporation Income Tax Return

- Schedules

XML Doc. Name	Description
SchCR	Schedule CR: Schedule of Tax Credits
FormN30SchO	Schedule O, N-30: Allocation And Apportionment Of Income
FormN30SchP	Schedule P, N-30: Apportionment Formula

- Binary Attachments

A binary attachment is required for all Hawaii forms and schedules, even when a schema exists. The ReturnN30 binary attachment must include the primary return and all attachments that complete the return package.

File Name begins with	Description
ReturnN30	Form N-30 and attachments

A separate binary attachment must also be included in the submission, when required by the business rules. The binary attachment must begin with the file name listed below.

File Name begins with	Description
FormN163	Fuel Tax Credit for Commercial Fishers
FormN312	Capital Goods Excise Tax Credit
FormN323	Carryover of Tax Credit
FormN330	School Repair and Maintenance Tax Credit
FormN338	Recapture of the Tax Credit for Flood Victims
FormN340	Motion Picture, Digital Media, and Film Production Tax Credit
FormN342	Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)
FormN342A	Information Statement Concerning Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)
FormN342B	Composite Schedule For Form N-342A
FormN342C	Composite Schedule For Form N-342
FormN344	Important Agricultural Land Qualified Agricultural Cost Tax Credit
FormN346	Tax Credit for Research Activities
FormN346A	Certified Statement of Research and Development Costs Incurred By a Qualified High Technology Business (QHTB) and Claim of the Tax Credit for Research Activities



FormN348	Capital Infrastructure Tax Credit
FormN350	Cesspool Upgrade, Conversion or Connection Income Tax Credit
FormN352	Renewable Fuels Production Tax Credit
DBEDTCertificate	RFPTC – Credit Certification
FormN354	Organic Foods Production Tax Credit
FormN586	Tax Credit for Low-Income Housing
FormN756	Enterprise Zone Tax Credit
FormN756A	Information Statement Concerning the Enterprise Zone Tax Credit
FormN884	Credit for Employment of Vocational Rehabilitation Referrals
CombinedReturnListAndWorksheet	Combined Return List and Worksheet
ScheduleCR	Schedule of Tax Credits
ScheduleD	Capital Gains and Losses
ScheduleO	Allocation And Apportionment Of Income
ScheduleP	Apportionment Formula

7.1.2. S-CORPORATION INCOME TAX

- Forms

XML Doc. Name	Description
FormN35	Form N-35: S-Corporation Income Tax Return

- Binary Attachments

A binary attachment is required for all Hawaii forms and schedules, even when a schema exists. The ReturnN35 binary attachment must include the primary return and all attachments that complete the return package.

File Name begins with	Description
ReturnN35	Form N-35 and attachments

A separate binary attachment must also be included in the submission, when required by the business rules. The binary attachment must begin with the file name listed below.

File Name begins with	Description
FormN163	Fuel Tax Credit for Commercial Fishers
FormN312	Capital Goods Excise Tax Credit
FormN330	School Repair and Maintenance Tax Credit
FormN338	Recapture of the Tax Credit for Flood Victims
FormN340	Motion Picture, Digital Media, and Film Production Tax Credit
FormN342	Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)
FormN342A	Information Statement Concerning Renewable Energy
FormN342B	Composite Schedule For Form N-342A
FormN342C	Composite Schedule For Form N-342
FormN344	Important Agricultural Land Qualified Agricultural Cost Tax Credit
FormN346	Tax Credit for Research Activities
FormN346A	Certified Statement of Research and Development Costs Incurred By a Qualified High Technology Business (QHTB) and Claim of the Tax Credit for Research Activities
FormN348	Capital Infrastructure Tax Credit
FormN350	Cesspool Upgrade, Conversion or Connection Income Tax Credit
FormN352	Renewable Fuels Production Tax Credit
DBEDTCertificate	RFPTC – Credit Certification



FormN354	Organic Foods Production Tax Credit
FormN586	Tax Credit for Low-Income Housing
FormN756	Enterprise Zone Tax Credit
FormN756A	Information Statement Concerning the Enterprise Zone Tax Credit
FormN884	Credit for Employment of Vocational Rehabilitation Referrals CombinedReturnListAn
ScheduleD	Capital Gains and Losses and Built-in Gains

7.1.3. IRS FORMS

File Name begins with	Description
State1099B	1099-B: Proceeds From Broker and Barter Exchange Transactions
State1099G	1099-G: Certain Government Payments
State1099K	1099-K: Payment Card and Third Party Network Transactions
State1099Int	1099-INT: Interest Income
State1099Misc	1099-MISC: Miscellaneous Income
State1099DIV	1099-DIV: Dividends and Distributions
State1099OID	1099-OID: Original Issue Discount

7.2. SIGNATURE REQUIREMENTS

In accordance with HRS §231-8.5, the act of electronic filing constitutes a taxpayer's signature to the return, without the need for a PIN or other documentation.

HRS §231-8.5:

"The department may allow filing by electronic, telephonic, or optical means of any tax return, application, report, or other document required under the provisions of title 14 administered by the department. The date of filing shall be the date the tax return, application, report, or other document is transmitted to the department in a form and manner prescribed by departmental rules adopted pursuant to chapter 91. The department may determine alternative methods for the signing, subscribing, or verifying of a tax return, application, report, or other document that shall have the same validity and consequences as the actual signing by the taxpayer. A filing under this section shall be treated in the same manner as a filing subject to the penalties under section 231-39."

Each taxpayer must be informed that the act of electronically filing a tax return constitutes his/her signature. Print the following taxpayer declaration as part of the taxpayer's copy of the return:

"I understand and accept, pursuant to section 231-8.5, HRS, that filing this return electronically constitutes my signature to the return having the same validity and consequences as the actual signing of the return."

7.3. PAYMENT METHODS

DOTAX supports Automated Clearing House (ACH) debit. International Automated Clearing House Transactions (IAT) are not supported for payments. A payment can be submitted from a single bank or other financial institution account.

DOTAX does not support post-dated payments.

Taxpayers may also submit payment through the DOTAX website at hitax.hawaii.gov.

7.4. TYPES OF FILINGS ACCEPTED

DOTAX accepts Linked (Federal/State) and Unlinked (State Only) submissions.



7.5. DECIMAL PLACES FOR RATIOS

Requirements are provided in the XML schema documents.

7.6. EDITS AND VERIFICATIONS

1. Error Categories:
 - Data Validation Error
 - Incorrect Data
 - Missing Document
 - XML Error
2. Severity:
 - Reject

7.7. GENERAL EXCLUSIONS FROM CORPORATE ELECTRONIC FILING

1. Returns prior to tax year 2017
2. Returns other than N-30 and N-35
3. Returns that require attachment of forms or schedules that are not supported by the State of Hawaii MeF program
4. Returns with "Applied For" federal employer identification number
5. Post-dated payments

SECTION 8: SCHEMAS AND TRANSMISSION SPECIFICATIONS

The approved XML schemas package and business rules will be posted on the FTA SES.

SECTION 9: HANDBOOK UPDATES

Document Version Number	Updates
V1.1	-Updated LOI due date to November 9, 2018 -Removed binary attachment ReturnN30 and ReturnN35
V1.0	-Overall updates: Tax year from 2017 to 2018 -Section 1: Updated schemas version -Section 2: Updated tax law changes for Tax Year 2018 -Section 3: Updated contact information and Holiday table 3.1 Changed testing contact group from Electronic Processing Testing group to Business MeF Testing Group Changed email address from tax.efle.test@hawaii.gov to tax.bus.mef.test@hawaii.gov